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C O N F I D E N T I A L MUSCAT 001105

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TAGS: ECON PREL SOCI ETRD MU
SUBJECT: ENTREPRENEURSHIP ROUNDTABLE AND RELATED ENGAGEMENT IN OMAN

REF: STATE 112468

CLASSIFIED BY: Richard Schmierer, AMB, Department of State, Embassy Muscat; REASON: 1.4(B), (D)

¶1. (U) SUMMARY: Embassy Muscat has engaged with both government and the private sector in advancing entrepreneurship in Oman. Key efforts include a recent roundtable hosted by the Ambassador and Embassy outreach to the Ministry of Commerce and Industry (MOCI), primarily via two constituent offices: the Small and Medium Enterprise Directorate (SME Directorate) and the Omani Center for Investment Promotion and Export Development (OCIPED). Overall, the outreach has been well-received and stakeholders in Oman are enthusiastic for further opportunities to engage on entrepreneurship activities. END SUMMARY.

ENTREPRENEURSHIP ROUNDTABLE

¶2. (C) COMPOSITION AND TOPICS: As part of engagement effort related to the upcoming Presidential Entrepreneurship Summit, the Ambassador hosted a roundtable with key members of the Muscat American Business Council (MABC) on December 16. Six successful and influential members of MABC attended. Each member either owns her or his own business or has risen to the level of regional manager for a multinational company. Discussion was wide-ranging and informal, with topics including access to capital for entrepreneurs, bureaucratic hurdles facing entrepreneurs, and a general feeling among business people that government should do more to support their efforts.

¶3. (C) ACCESS TO CAPITAL: Many agreed that the biggest challenge facing Omani entrepreneurs, especially women, is the lack of access to capital. Government-sponsored loan programs are restrictive, requiring applicants to be of a certain age; bank loans require that the debt be secured, and many applicants do not have acceptable collateral. Further, if the applicant is a daughter or son of one of Oman's elite businessmen, the bank directs them to their father's line of credit rather than granting them their own, regardless of the collateral they present or the proposed business project requiring financing.

¶4. (C) BUREAUCRACY KILLS: Another hurdle is the numerous licenses a new business must obtain from several different ministries. The most onerous appears to be licensing by the Ministry of Manpower, largely due to rapidly changing, inconsistently implemented labor laws over the past several years and steadily increasing requirements to hire Omani nationals, in support of the national drive toward Omanization of employment.

¶5. (C) BUSINESS PEOPLE ABANDONED: A feeling of malaise regarding perceived government neglect of the private business sector became apparent as the discussion continued. At one point, when describing the government's attitude, a member declared that "Omani business people feel like orphans." Members cited the government's focus on bringing investors into the country, rather than developing and promoting Omanis in business, as the key element of neglect. They also pointed to the government's minimal effort at promoting the U.S. - Oman Free Trade Agreement as a tool for Omani exporters as a further sign of neglect.

EMBASSY OUTREACH TO THE GOVERNMENT

¶6. (SBU) SME DIRECTORATE SUPPORT: The Ministry of Commerce and Industry (MOCI) is primarily responsible for SME development and promotion in Oman; it has created the SME Directorate to lead its efforts. The SME directorate is fairly new, underfunded and understaffed. Currently, the Embassy is supporting Small Business Administration (SBA) efforts at entering into a Memorandum of Understanding with the SME Directorate. Targeted areas for development within the SME Directorate are enhancing credit to SMEs, enhancing government procurement from SMEs, and assisting in providing SMEs feasibility studies (NOTE: The SME Directorate already provides feasibility studies for potential entrepreneurs; however, due to the SME Directorate's low level of visibility, this service is seldom used. END NOTE.). Post is also working with the SME Directorate in arranging for its upcoming SME Conference and

Exhibition from February 16 - 18. The conference is likely to generate significant press coverage, thereby highlighting the importance of SME development to a broad range of Omanis.

¶7. (SBU) COORDINATION WITH OCIPED: OCIPED is another department within the MOCI with which the Embassy is working on entrepreneurship promotion. OCIPED tends to favor the "investment promotion" aspect of its work and neglect its "export development" role. The Embassy hopes to use the FTA as a tool for OCIPED outreach to potential Omani exporters/entrepreneurs, including exploring the possibility of local MEPI grant funds for outreach activities.

¶8. (SBU) COMMENT: Embassy efforts at outreach related to the President's Entrepreneurship Summit have generated insights and suggestions for USG engagement. Top priorities for entrepreneurship development in Oman are securing start-up capital and reducing bureaucratic hurdles. Both obstacles to starting a business are largely dependent upon a heightened level of government attention to promoting entrepreneurship and assisting aspiring entrepreneurs. Post will continue to engage the government regarding this issue.
END COMMENT.

Schmierer